ASCS BACKGROUND INFORMATION

Agricultural Stabilization and Conservation Service
U. S. Department of Agriculture

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THE UNITED STATES SUGAR PROGRAM

The United States Sugar Program has a three-fold purpose:

To protect the welfare of the U. S. sugar industry.

To provide U. S. consumers with ample sugar supplies at reasonable prices.

To promote and strengthen the export trade of the United States.

To achieve these goals, the Sugar Act establishes a quota system (shares of the U. S. market), thus regulating supplies of sugar sold in the United States. The larger part of the sugar consumed in the United States comes from domestic areas and the remainder from foreign countries.

The U. S. program is not unique. The government of nearly every sugar-producing country, both importers and exporters, exercises some degree of control over the production, refining, and marketing of sugar. World trade in sugar is characterized by special marketing arrangements. More than half of total world exports enters international trade channels under preferential arrangements.

The U. S. Sugar Act has six main features:

1. Setting U. S. Sugar Requirements - The quantity of sugar needed to maintain adequate supplies for U. S. consumers and to achieve the price objective of the Act is determined for each year.

2. Establishing Sugar Quotas - This yearly sugar requirement is divided among specified domestic and foreign producing areas through quotas assigned to each.

3. Providing Marketing Allotments - Within domestic quotas, allotments are established for domestic processors, when needed, to keep the sugar movement in marketing channels an orderly one.

4. Setting Farm Proportionate Shares - Domestic farm production is limited, as needed, within acreage required to produce the sugar needed to meet domestic quotas and to maintain sugar inventories.

5. Making Grower Payments - Payments are made to growers to augment farm income and as a means of compensating them for adjusting their production.

6. Obtaining Equitable Division of Sugar Returns - Provisions to assure an equitable division of returns from sugar among beet and cane growers, farm workers, and processors.

How the U. S. Sugar Program Works

(1) Determining Sugar Requirements: A determination of how much sugar will be needed by consumers in the Continental United States is made each year. The determination is announced during October for the following year and must be revised (increased or decreased) as the year progresses to achieve the price objective in the Act. This establishes the amount of foreign sugar that may be imported and the amount of domestic sugar that may be marketed in the United States during the year.

The amount of sugar distributed during the preceding 12-month period ending August 31 is used as a base in making the first estimate. Allowances are made for deficiencies or surpluses in the Nation's sugar inventories and for shifts in use caused by changes in population and demand. Also considered is the relationship between the price for raw sugar, which may result from the determination, and the price objective which is updated by applying the average of (1) the parity index (1967=100), and (2) the wholesale price index (1967=100), so that sugar prices will be neither excessive to consumers nor too low to give adequate protection to the domestic sugar producing industry.

In recent years, the U. S. sugar requirement has ranged above 11,000,000 short tons, raw value, and in 1971 was 11,300,000 tons.

(2) Establishing Quotas: After the overall requirements have been determined, each domestic and foreign area supplying the United States with sugar is assigned a quota or share of the U. S. market.

The statutory formula is shown on page 6 and the quantities assigned to the domestic and foreign areas for the years 1968 through 1971 appear on page 10.

Domestic Area Quotas

Under the provisions enacted in 1971, the four U. S. producing areas (mainland cane-producing area, continental U. S. beet-producing area, Hawaii, and Puerto Rico) are assigned basic quotas totalling 6,910,000 short tons, raw value. (Raw value is the term used in the Sugar Act to express in a common unit the types of raw and refined sugars that move in commerce. One ton of refined sugar equals 1.07 tons of sugar, raw value.) See page 5.

Mainland cane and beet quotas are increased by 65 percent of requirements in excess of 11.2 million tons and decreased by the same percentage of requirements falling below 11.2 million tons. These increases or decreases are shared by the two areas with approximately three-fourths assigned to beet sugar and one-fourth to mainland cane sugar.

Within limits, the quotas for Hawaii and Puerto Rico are adjusted upward when production exceeds their basic quotas. These increases are offset by reducing the quotas of foreign countries, other than the Republic of the Philippines and Ireland. Whenever either Hawaii or Puerto Rico is prevented from filling its quota through no fault of its own (e.g., a strike, etc.) the quota for the following year is increased accordingly.

The Republic of the Philippines

Beginning in 1972, the Republic of the Philippines' quota is fixed at 1,126,020 tons of sugar plus 30.08 percent of any deficit prorations.

Other Foreign Countries

Quotas for 32 other foreign countries, not counting Cuba and Southern Rhodesia, are established as fixed percentages of U. S. requirements above the amounts set for quotas for (1) domestic areas, (2) the Republic of the Philippines, and (3) Ireland. Ireland has a fixed quota of 5,351 tons. The quota for Malawi begins in 1973, when production is expected to exceed consumption.

Quotas May be Withheld in National Interest

The Sugar Act provides that the President may in the national interest withhold or suspend all or any part of a quota for a foreign country.

During the current suspension of diplomatic relations with Cuba, its entire quota is withheld. The withheld quota is prorated to foreign countries, other than the Republic of the Philippines and Ireland, entitled to quotas except that the Cuban share of U. S. requirements over 10 million tons is prorated only to Western Hemisphere countries in proportion to their basic quotas.

Since 1966 the quota for Southern Rhodesia has been withheld in accordance with United Nations resolutions and prorated to Western Hemisphere countries.

Other Modification of Quotas

No quota is established for any country, other than Ireland, which imported a total quantity of sugar equal to or in excess of its exports, excluding those to the U. S., during a period of 24 months ending June 30 prior to the calendar year for which quotas are established.

If any country without adequate justification fails to fill its quota for any year, the quota for future years is reduced. The reduction equals the lesser of the shortfall or the difference between 115 percent of the preceding year's quota and actual imports in the shortfall year.

Emergency Provision

If under unusual circumstances adequate supplies of sugar cannot be obtained by increasing foreign quotas, authority is provided to obtain supplies on a first-come-first-served basis from countries in diplomatic relations with the U.S. with special consideration to countries agreeing to purchase for dollars additional agricultural products.

Imports Limited to Raw Sugar

The sugar to fill the quotas for foreign countries must be in raw form, except the quota for Ireland and small quantities from the Philippines and Panama may be refined sugar. Limitations apply also to the quantities of sugar in refined form within quotas of Hawaii and Puerto Rico.

For quota purpose, sugar not more than 99 percent pure is regarded as raw sugar, provided it is subjected to designated refining processes. Other sugar is called "direct-consumption sugar", and includes primarily white refined and other types of sugar similar to that for home consumption.

Statutory Quota Formula

For the domestic areas and two foreign countries, the law provides for specified tonnage quotas as shown in the following table.

Country or Area	Basic Quota (Tons)	Increases or Decreases Related to Each 100,000-Ton Change in Sugar Requirements Above and Below 11,200,000 tons
Domestic areas		
Domestic beet sugar	3,406,000	47,667 tons
Domestic cane sugar	1,539,000	17,333 "
Hawaii	1,110,000 1/	0 "
Puerto Rico	855,000 1/	0 "
Subtotal	6,910,000	65,000 "
Foreign Countries		
Republic of Philippines	1,126,020	0 "
Ireland	5,351	0 "
Total	8,041,371	65,000 "

1/ Subject to upward adjustments to the extent production in preceding year exceeds the mainland quota and local quota delivery.

REMAINING U. S. REQUIREMENTS: 76.26 PERCENT TO SPECIFIED FOREIGN COUNTRIES, 23.74 PERCENT TO TEMPORARY QUOTA

Foreign Western Hemisphere Countries	Permanent Quota	Temporary Quota 1/
Dominican Republic	12.80 %	3.98 %
Mexico	11.32	3.52
Brazil	11.04	3.44
Peru	7.90	2.46
West Indies	4.12	1.28
Ecuador	1.63	.51
Argentina	1.53	.48
Costa Rica	1.38	.43
Colombia	1.36	.42
Panama 2/	1.29	.40
Nicaragua	1.29	.40
Venezuela	1.23	.38
Guatemala	1.18	.37
El Salvador	.86	.27
British Honduras	.68	.21
Haiti	.62	.19
Bahamas	.54	.17
Honduras	.24	.08
Bolivia	.13	.04
Paraguay	.13	.04
Subtotal	61.27	19.07
Foreign Countries outside of Western Hemisphere		
Australia	5.02	1.56
Republic of China	2.09	.65
India	2.01	.63
South Africa	1.42	.44
Fiji	1.10	.34
Mauritius	.74	.23
Swaziland	.74	.23
Thailand	.46	.14
Southern Rhodesia 3/	.37	.12
Malawi 2/	.37	.12
Uganda	.37	.12
Malagasy Republic	.30	.09
Subtotal	14.99	4.67
Total	76.26	23.74

1/ Cuba's share (23.74 percent of all foreign quotas other than the Philippines) is withheld during the suspension of diplomatic relations. Cuba's share of the quota at the 10 million ton requirements level for less is prorated to all other quota countries except the Philippines; Cuba's share of total requirements in excess of 10 million tons is prorated to Western Hemisphere countries only. The percentages shown illustrate the temporary quota for each country when requirements are at the 10 million ton level. 2/ In 1972 the quota for Panama is 0.85 percent, and for Malawi, zero percent. The quotas for other countries are increased proportionately. 3/ While Southern Rhodesia's quota is withheld its share is prorated to Western Hemisphere countries in proportion to their permanent quota.

Of the U.S. sugar requirements remaining after specified tonnage quotas, 76.26 percent is allocated to 32 foreign countries. The other 23.74 percent is allocated to the Cuban reserve, which, as previously noted, is withheld from Cuba until such time as diplomatic relations are resumed. The Cuban reserve is apportioned as temporary quotas among the 32 countries.

Allocation of Deficits in Quotas

(1) If any domestic producing area or foreign country in the Western Hemisphere cannot market its full quota, the deficit is allocated by assigning an amount equal to 30.08 percent of the deficit to the Philippines and prorating the balance to Western Hemisphere countries on the basis of their quotas determined pursuant to section 202, except that any deficit in the quota for a country which is a member of the Central American Common Market will be allocated first to the other member countries.

In making allocations of deficits to Western Hemisphere countries, special consideration must be given to those countries purchasing U.S. agricultural commodities.

(2) If the Republic of the Philippines is unable to fill its own quota, the deficit is prorated to Western and Eastern Hemisphere countries.

The Philippines' share of a deficit of any area or country in the Western Hemisphere which it is unable to fill is reallocated to other countries in that Hemisphere.

(3) If any country in the Eastern Hemisphere is unable to fill its quota, the deficit is allocated by prorating 30.08 percent of the deficit to the Philippines and the remainder to countries in the Eastern Hemisphere (excluding Ireland).

The share of a deficit in the quota of any country in the Eastern Hemisphere which the Philippines is unable to fill is allocated to Eastern

Hemisphere countries except Ireland.

(4) In the event that none of the eligible countries referred to in paragraphs 1 and 3 are able to fill a deficit, the unfilled amount may be apportioned on such basis and to such countries as needed to fill the deficit.

(5) Notwithstanding the methods of allocating deficits as provided above, the President may, in the national interest, allocate any part of any deficit to one or more countries with a quota other than the Republic of the Philippines on such basis as he finds appropriate, except for any deficit allocation to which the Republic of the Philippines is entitled and can fill.

Import Limitations of Sugar-Containing Products

If it is determined that the prospective importation or bringing into the continental U. S., Hawaii or Puerto Rico, of any sugar-containing product or mixture substantially interferes with attainment of the objectives of the Sugar Act, limits may be established on quantities of such product or mixture that may be imported or brought in.

If the Secretary determines that the quantity of sugarbeet molasses imported is substantially interfering with the objectives of the Act, he may limit such imports to an amount equal to the average quantity imported during the prior three years.

Confectionery Quotas

Beginning January 1, 1972 the Secretary is required to establish quotas for the importation of candy, confectionery, and sweetened chocolate. Quantities imported are to be limited to the greater of (a) the average quantity imported during the prior three-year period, or (b) five percent of the sales of such products by U. S. manufacturers during the most recent year for which data are available.

Quota Exempt Sugar

The Act provides for strict quota control of the amount of sugar produced in or imported into the United States as discussed above. However, there are some exceptions; quotas do not apply to the following:

1. Imports from any foreign country, other than Cuba and the Republic of the Philippines of: (a) the first ten short tons, raw value, of direct consumption sugar or liquid sugar in any calendar year, (b) the first ten short tons, raw value, of direct consumption sugar or liquid sugar in any calendar year for religious, sacramental, educational or experimental purposes, or (c) liquid sugar imported in individual sealed containers not larger than one and one-tenth gallon each.

2. Sugar or liquid sugar imported, brought into, or produced or manufactured in the United States for livestock feed, or for the production of livestock feed, or for the distillation of alcohol, including all polyhydric alcohols, or for the production (other than by distillation) of alcohol, including all polyhydric alcohol, but not including any such alcohol or resulting by-products for human food consumption.

3. Sugar or liquid sugar imported into the United States, including Puerto Rico, from any foreign country under bond for the express purpose of subsequently exporting an equivalent quantity of sugar as such or in sugar-containing products.

Actual Share of U.S. Sugar Market

The table on page 10 shows the final adjusted quotas for domestic areas and foreign countries for the period 1968 through 1971.

Final Adjusted Sugar Quotas 1968-71

Area	1968	1969	1970	1971
	(Short Tons, Raw Value)			
Domestic				
Beet	3,115,667	3,215,667	3,597,000	3,406,333
Cane	1,204,000	1,169,333	1,308,000	1,256,000
Hawaii	1,191,704	1,190,673	1,145,486	1,110,000
Puerto Rico	515,000	370,897	360,000	150,000
Total domestic areas	6,026,371	5,946,570	6,410,486	5,922,333
Foreign				
Philippines	1,126,020	1,126,020	1,301,020	1,593,733
Argentina	76,255	78,809	78,509	74,384
Australia	203,276	192,937	206,270	205,045
Bahamas		10,000	10,000	10,000
Bolivia	7,103	7,625	7,599	7,199
Brazil	619,881	640,638	638,210	604,675
British Honduras	15,880	16,568	15,782	15,200
British West Indies	217,971	227,455	216,645	208,645
China, Republic of	84,698	80,390	85,946	85,435
Colombia	65,594	67,792	67,537	63,988
Costa Rica	73,264	75,420	75,133	71,185
Dominican Republic	707,030	693,068	678,209	655,960
Ecuador	90,193	93,216	92,860	87,982
El Salvador	45,279	46,609	46,429	43,989
Fiji Islands	44,608	42,339	45,265	44,996
French West Indies	66,237	71,550	68,149	65,633
Guatemala	61,743	63,557	63,314	59,986
Haiti	27,420	17,419	26,176	23,066
Honduras	7,406	7,625	7,599	7,199
India	81,311	77,175	82,508	82,018
Ireland	5,351	5,351	5,351	5,351
Malagasy Republic	9,600	9,111	9,740	9,682
Mauritius	18,633	17,686	18,909	18,796
Mexico	633,819	655,044	652,559	618,272
Nicaragua	54,835	71,925	75,133	71,185
Panama	37,439	44,440	39,500	44,792
Peru	494,431	300,000	455,991	482,302
South Africa	59,854	56,808	60,735	60,374
Swaziland	7,342	6,967	7,448	7,405
Thailand		17,686	18,909	18,796
Venezuela	31,156	32,200	32,079	30,394
Total Foreign	4,973,629	4,853,430	5,189,514	5,377,667
TOTAL REQUIREMENTS	11,000,000	10,800,000	11,600,000	11,300,000

How Imports and Marketings are Kept Within Quotas

Importers of sugar file an application for approval by the Department specifying the quantities to be imported, the country of origin, and the port of arrival, among other details. The approved application is the basis on which the Bureau of Customs permits entry of foreign sugar into the United States.

Approval of the application by the Department is keyed to the actual shipment and the earliest date an application becomes eligible for approval is 5 days before the scheduled sailing date of the vessel.

The approval of applications provides the basis on which the Department records the quota balance for each country.

This procedure or a modification of it is also followed for shipments from Hawaii and Puerto Rico.

Domestic beet sugar and mainland cane processors submit monthly reports of their sugar distribution. This provides the record for charging sugar to quotas and to individual processor allotments when in effect.

(3) Establishing Marketing Allotments: One important function of the sugar program is to promote orderly marketing. If a domestic area has more sugar available for marketing than its quota, processors might rush sugar on the market so that they could sell their sugar before the area quota is filled. This could bring about temporary over-supply, anxious sellers, a weakened price structure and deprive other area processors of an equitable share of the market.

If the supply pressures are likely to cause disorderly marketing, the quota is allotted among the processors. The allotment is based on three factors: past marketings, ability to market, and on sugar processings from beets or cane limited to those to which "farm proportionate shares" pertain, when shares are in effect.

(4) Farm Proportionate Shares: In addition to marketing allotments for processors when needed, the law also provides for farm proportionate shares if necessary to restrict sugar production in any area. This avoids a build up of sugar supplies in a given year beyond that needed to meet the area's quota and to provide a normal carryover inventory.

This determination is made for the coming crop year after due notice and opportunity for an informal public hearing.

When the crop is restricted as for the 1970 and 1971 crop in the mainland cane area, each sugar-producing farm in the area gets its fair share of the market. To accomplish this, individual farm proportionate shares are established.

In mainland cane sugar and beet sugar areas, shares are established in terms of acres. However, in Puerto Rico farm shares when in effect were in terms of sugar recoverable from the sugar cane. In establishing farm shares, consideration is given to past production and the farm's ability to produce the sugar crop.

In establishing shares, the Act requires protection of, insofar as practicable,the interests of small producers and new producers, or producers whose past production was seriously affected by abnormal and uncontrollable natural conditions.

The Act also requires protection of, for a period of not more than three years for use in establishing proportionate shares, the sugar beet production history of farm operators (or farms) unable to use all or part of their proportionate share acreages because of crop-rotation or for reasons beyond their control such as the closing of a factory.

Producers are not required to comply with their assigned proportionate shares. However, they must do so if they wish to qualify for payments authorized under the Act.

Generally, too, processors will not purchase sugarcane or sugarbeets marketed above the farm proportionate share because sugar produced cannot be considered in establishing the processor's marketing allotment. However, this sugar can be sold for livestock feed outside the allotment.

Acreage Reserve for New Areas

The 1971 amendments to the Sugar Act provided an annual quota of 100,000 tons of raw sugar, beginning in 1973 or as soon thereafter as it can be used, for a new continental sugarcane producing area. The quota, when implemented, will reduce foreign quotas by a like amount.

The 1971 amendments also provided for allocation from the national sugarbeet acreage reserve, the acreage required to produce a total of 100,000 tons of sugar, raw value, for new or substantially expanded sugarbeet factories. Allotments are to be for a period of three years and for not more than 50,000 nor less than 25,000 tons of sugar to any one locality. The allotments are to be made out of normal market growth; the total quota for the sugarbeet area is not affected.

(5) Grower Payments: Sugar Act payments help to maintain farm income from sugar crops and provide an incentive to growers to adjust their production to quota and carryover needs. Conditional payments of about $85.6 million were made on the 1970 crop to about 41,000 sugarbeet and sugarcane producers in 26 States, and Puerto Rico.

The payment rate declines as the volume of sugar recoverable from cane or beets marketed from the farm increases above 350 tons. The basic rate of 0.8 cent per pound ($16.00 per ton) of sugar commercially recoverable, raw value, is paid on the first 350 short tons. This rate is reduced by successive steps to a minimum of 0.3 cent per pound ($6.00 per ton) on production above 30,000 tons.

Special Conditional Payments

The program also gives limited benefits to growers through special conditonal payments for crop deficiency or abandonment caused by natural disasters such as drought, flood, storm, freeze, disease, or insects. If the crop is abandoned, payment is based on one-third of the normal yield. In case of crop deficiency, payment is made as if yields were 80 percent of the normal yield.

Financing of Payments

Payments to producers are financed out of the general funds of the Treasury. However, sugar taxes (an excise tax of one-half cent per pound, raw value, on all sugar marketed within the quota system) provide funds for the Treasury which more than offset all costs of the program. The revenue from this tax from 1938 through fiscal year 1970 exceeded total sugar program expenditures by about $630 million.

(6) Equitable Division of Returns: In addition to providing an incentive to growers to adjust their production to quota and carryover needs, the payments have three objectives: (a) to help give growers adequate income from sugarcane and sugarbeet production; (b) to assure growers and their fieldworkers a fair share of the returns to the sugar industry; (c) to prevent the employment of child labor in field work on sugar crops.

The first objective is met by the payment.

The second is attained by requiring growers, in order to be eligible for payments, to pay fieldworkers in full for work done on cane and beets at rates not less than those determined to be fair and reasonable. These minimum rates are determined and announced by the Department.

In addition, processors if they are also growers are required to pay fair prices for cane and beets purchased from other growers to be eligible for payments on their own production.

The child labor provisions require that growers must not permit children under the age of 14 to work on sugarbeets or sugarcane. Children between the ages of 14 and 16 may not be employed or permitted to work for more than 8 hours a day. Growers who own at least 40 percent of the crop they are cultivating are exempted from these provisions with respect to their own children. A grower failing to observe these provisions is penalized by a reduction of $10 from his payment for each day or part of a day during which each child was employed or permitted to work.

Program Administration

State and county Agricultural Stabilization and Conservation (ASC) committees are responsible for local administration of both the farm proportionate share (acreage allotment) and the payment parts of the program. This local administration is based on procedures developed by ASCS and on program regulations issued by the Secretary of Agriculture or his designee.

Generally, regulations issued under the authority of the Sugar Act are announced publicly through press releases issued by the Department. Subsequently, the regulations are published in the Federal Register. They are codified as Title 7 Chapter VIII of the Code of Federal Regulations.

Certain regulations are preceded by public hearings. These are marketing allotment regulations, fair price and fair wage determinations, proportionate share regulations, and the determination of processes and qualities which distinguish raw sugar from direct-consumption sugar.

The Collectors of Customs control the entry of offshore sugar supplies by permitting shipments of sugar to enter only upon an authorization issued by the Department of Agriculture.

Prices and Consumer Benefits

When sugar prices have been extremely high in the free world market in some past periods, and again in 1972, the quota system has assured U.S.

consumers adequate supplies at reasonable prices.

Under normal circumstances, the limitation that the quota system puts on total marketings of sugar in the United States brings about what is sometimes called a "quota premium". The premium is the difference, over and above duty and freight, between the price at which raw sugar is sold in the United States and the so-called "world free market price" for sugar. Since relatively little sugar is traded on the world market and frequently at distress prices well below cost, this difference is not an adequate measure of the actual premium.

However, the quota system under most circumstances does make prices to consumers higher than might otherwise prevail. Thus, this system insures the production of a substantial part of our sugar requirements within the continental United States in the interests of national security. Retail prices of sugar in the United States are about the same as the average for other countries where price information is available -- these countries consume most of the world's sugar. There are indications that prices in countries for which data are not available average higher.

World Free Market Price

In reality, the world free market is actually a residual or marginal price at which only a small part -- about 12 percent -- of the world's sugar production is sold.

Most sugar is consumed in the countries where it is produced and usually the growers and processors in these countries are paid a much higher price for their product than the world market price, just as U.S. producers are.

Ccuntries not self-sufficient in sugar generally require the payment of minimum prices to growers of sugarcane or sugarbeets, and impose some form of restrictions on imported sugar for the protection of their domestic producers. Price pooling to distribute the impact of the

different prices in different markets is common among exporting countries.

Preferential Sugar Trading Systems

Several countries other than the U.S. have comprehensive trading systems involving preferential arrangements with dependent overseas territories or with independent countries with close political ties. These arrangements are in addition to domestic policies which usually have as their goal some degree of self-sufficiency through fostering and protecting home sugar industries.

Less than 25 percent of the world's sugar production moves in international trade, and about half of this movement is under these special marketing arrangements.

World "Free Market" Price Fluctuates Widely

The price for this residual sugar tends to fluctuate widely. It is sensitive to any major international disturbance or threat to world peace. It moves up sharply when supplies are tight and drops precipitously when supplies are large. The operations of the International Sugar Organization since 1969 have had partial success in moderating world market prices. The monthly average price for raw sugar at Caribbean ports was as low as 2.86 cents per pound in December 1969 and as high as 9.60 cents in March 1972. During the five-year period from 1966 through 1971, the yearly average of monthly prices at these ports has ranged from 1.86 cents per pound to 4.53 cents per pound. In contrast, the yearly average of monthly prices for raw sugar at New York varied about 1.53 cents per pound during the same period. About 1.15 cents a pound of the domestic price represents ocean shipping and tariff and should be deducted when comparison is made to world market prices at ports of shipment.

U.S. Price Stability Beneficial

The quota system serves to eliminate both the extremely high prices for sugar, which would hurt U.S. consumers, and the extremely low prices

which would be disastrous to U.S. producers. While assuring U.S. consumers an adequate supply of sugar, the U.S. system also enables the United States to carry out the role of a "good neighbor" to many foreign sugar-producing areas, particularly in the Western Hemisphere. The program assures these areas of a stable market for their sugar at remunerative and stable prices with a resulting favorable impact on an extremely important sector of their foreign trade.

Background on U.S. Sugar Industry & Sugar Act

The Sugar Industry: For many years, per capita consumption of refined sugar in the continental United States averaged about 97 pounds per year. Per capita consumption increased sharply to an average of 100 pounds during 1968 and 1969, and reached an average of 102 pounds in 1970 and 1971. Domestic sugarcane and sugarbeet growers supply more than half of our sugar needs. The balance, almost all cane sugar, is imported. Further details for 1968-71 are shown in the table on page 10.

About half of our domestically produced sugar comes from sugarcane, the rest from beets. Louisiana and Florida are the mainland sugarcane producing areas. A new sugarcane producing area is in the planning stages with production scheduled to begin in 1973, or later, in the Lower Rio Grande Valley of South Texas. The offshore domestic sugarcane areas are Hawaii and the Commonwealth of Puerto Rico. The sugarbeet producing area is the following 18 States (arranged in decreasing order of production for the 1971 crop): California, Idaho, Colorado, Minnesota, Michigan, Nebraska, Washington, North Dakota, Wyoming, Montana, Ohio, Kansas, Utah, Texas, Oregon, Arizona, Iowa and New Mexico.

More than 24,000 domestic farms grow sugarcane or sugarbeets. To cultivate and harvest these crops about 136,000 farm workers (mostly seasonal) are required. Total investment in the sugar industry is over $2.65 billion. The farm investment utilized in growing sugarcane and beets

is about $1.65 billion. Both of these figures are based on depreciated book value. Depreciated replacement value would be much higher.

In 1970 the United States has 58 beet sugar factories, 93 raw cane sugar mills, and 27 refineries in operation. Approximately 55,000 production workers were employed in these sugar-making plants.

Sugar from Cane: The refined sugar we use in our homes goes through two processing stages. The first process extracts, boils, crystallizes, and centrifuges cane juice and yields raw cane sugar. This process is done in raw cane mills not far from the cane fields.

Blackstrap molasses and bagasse are by-products of this first processing of sugarcane juice. Blackstrap molasses is used in cattle feed and in making ethyl alcohol, yeast, vinegar, and citric acid. Bagasse, the fibrous portion of sugarcane, is used as fuel for the cane mills and as raw material for building boards, cardboard, and paper.

Most of the cane sugar brought to the mainland from offshore areas, both foreign and domestic, is in the raw form. The second process -- the refining process -- occurs in refineries usually located in large port cities. A few refineries, however, are located in producing areas and interior cities. Refined sugars, refiners' sirups, and refiners' blackstrap molasses come from this second process.

Sugar from Beets: In contrast to the two-step process for cane sugar, sugar from beets is processed in one plant. The main by-products are beet molasses and beet pulp. The pulp is used for cattle feed. Beet molasses, like blackstrap, is used in cattle feed, and to make yeast and citric acid. Most beet molasses is put through the Steffen's process to raise the sugar yield. The resultant Steffen's waste is used in making monosodium glutamate -- used to highlight food flavors.

How the Sugar Act Developed: For almost 150 years the United States protected and regulated its sugar industry almost solely by tariff duties.

By the early 1930's, however, the U. S. sugar industry had become so ramified and the price and production relationship among domestic and foreign producing areas so complex that tariffs no longer were an adequate answer to the sugar problem.

To help solve the U.S. sugar problem, Congress passed the Jones-Costigan Act. The President signed it into law on May 9, 1934. Although there have been important modifications made in various provisions, the basic philosophy underlying this Act has been carried forward in the subsequent legislation.

The Jones-Costigan Act was superseded by the Sugar Act of 1937, which in turn was superseded by the Sugar Act of 1948. The Sugar Act of 1948, with changes made by amendments in 1951, 1956, 1960, 1961, 1962, 1965, and 1971 has been extended through December 31, 1974.

The Sugar Act amendments in 1960, 1961, 1962, 1965 and 1971 provided for suspending the quota of any country with which the United States is not in diplomatic relations. These amendments were prompted by the actions of the Castro government in Cuba which had been our principal foreign supplier of sugar since early in this century. The quota for Southern Rhodesia has been superseded since 1966 as a result of United Nations trade sanctions.

In addition to the provision requiring suspension of the quota of any country not recognized by our Government, the Sugar Act provides penalties in the event property belonging to an American citizen is expropriated by a foreign supplier of quota sugar without proper compensation. The President may suspend all or part of the quota of any offending country which has nationalized or expropriated property without compensation since January 1, 1961. Also, the President may, as an alternative or in addition to the quota suspension, impose a fine of $20 per ton of sugar. The money collected is to be used to reimburse the persons whose property had been taken without proper compensation.